

## Message Text

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44

ACTION EA-14

INFO OCT-01 ISO-00 NSCE-00 SPC-03 AID-20 EB-11 NSC-07

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

COME-00 CIAE-00 INR-10 NSAE-00 XMB-07 L-03 DRC-01

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R 180830Z MAR 74

FM USLO PEKING

TO SECSTATE WASHDC 1522

INFO AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ETRC, ESTC, CH

SUBJECT: IBM NEGOTIATIONS WITH PRC

REF: A) PEKING 411; B) PEKING 1617 (DEC. 1973)

SUMMARY. IBM OFFICIALS LEFT PEKING AFTER FAILING TO REACH AGREEMENT WITH THE CHINESE ON THE SALE OF TWO SYSTEM 3 COMPUTER UNITS. THE MAIN PROBLs ARE THE CHINESE REFUSAL TO PROVIDE AN END-USE STATEMENT AND THEIR UNWILLINGNESS TO ACCEPT A CLAUSE TO PROTECT IBM IN THE EVENT OF NON-ISSUANCE OF AN EXPORT LICENSE.  
END SUMMARY

1. IBM NEGOTIATIONS IN PEKING LAST WEEK WITH THE CHINA NATIONAL MACHINERY IMPORT AND EXPORT CORPORATION (MACHIMPEX) CONCERNING THE SALE OF TWO SYSTEM 3 COMPUTER UNITS FOR USE BY THE BANK OF CHINA FAILED TO REACH A CONCLUSION DUE TO MACHIMPEX'S REFUSLA (1) TO SIGN AN END-USE DOCUMENT AND (2) TO ACCEPT ANY CLAUSE IN THE CONTRACT THAT WOULD MAKE IBM'S PERFORMANCE CONTINGENT UPON THE LATTER'S RECIEPT OF AN EXPORT LICENSE. THIS INFORMATION WAS PROVIDED TO USLO ON MARCH 15 BY J.S. GOSSELIN, GROUP DIRECTOR  
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EXTERNAL AFFAIRS FOR THE IBM WORLD TRADE CORPORATION.

2. GOSSELIN, WHO LEFT PEKING THE FOLLOWING DAY (IBM VICE PRESIDENT WILLIAMSON DEPARTED MARCH 14) AFTER A WEEK OF TALKS, SAID MACHIMPEX WAS ADAMANT ON BOTH ISSUES. MACHIMPEX NEGOTIATORS, GOSSELIN SAID, MAINTAINED THAT CHINA HAS NOT HAD TO PROVIDE END-USE STATEMENTS FOR PREVIOUS PURCHASES OF EXPORT CONTROLLED EQUIPMENT FROM THE US, AND THEY DO NOT SEE WHY CHINA SHOULD BE EXPECTED TO DO SO IN THIS CASE. GOSSELIN SAID HIS EFFORTS TO OBTAIN FROM MACHIMPEX SOME KIND OF INFORMAL LETTER THAT MIGHT SERVE THE SAME PURPOSE WERE REBUFFED BY THE CHINESE NEGOTIATORS. THE CHINESE ALSO TURNED DOWN VARIOUS IBM SUGGESTIONS FOR ALTERNATIVE WORDING OR A SIDE LETTER IN LIEU OF AN EXPLICIT CLAUSE TO PROTECT IBM IN THE EVENT IT FAILS TO OBTAIN AN EXPORT LICENSE. (GOSSELIN WAS TO HAVE ONE MORE SESSION WITH MACHIMPEX AFTER HIS MEETING WITH USLO OFFICERS, BUT HE EXPECTED NO GIVE FROM THE CHINESE SIDE.)

3. IBM OFFICIALS, GOSSELIN SAID, WILL NOW TAKE THE MATTER UP WITH USG OFFICIALS IN WASHINGTON. HE BELIEVES THERE MAY BE ENOUGH INFORMATION ON HAND REGARDING CHINESE INTENTIONS WITH THE SYSTEM 3'S TO SATISFY REQUIREMENTS WITHOUT OBTAINING AHZRC SIGNATURE ON AN EXPLICIT END-USE STATEMENT. IF SO, AND IF IBM CAN OBTAIN A FAVORABLE ADVISORY OPINION FROM COMMERCE, IT WOULD BE POSSIBLE TO SIGN THE DEAL WITH THE CHINESE. IBM OFFICIALS ARE CONCERNED ABOUT JAPANESE COMPETITION AND FEEL THEY MUST GET BACK TO THE CHINESE SOON IF THEY ARE TO MAKE THE SALE.

4. ACCORDING TO GOSSELIN, IBM'S PRIMARY INTEREST IS TO GET INTO THE CHINESE MARKET, AND HE BELIEVES THE SALE OF THE TWO SYSTEM 3'S, WHICH WOULD COST ABOUT USDOLS 1 MILLION, PROVIDES THE PERFECT OPPORTUNITY. HE RECOGNIZES, HOWEVER, THAT ANY LIBERALITY REGARDING EXPORT CONTROL PROCEDURES THAT MIGHT BE ACCORDED THE PRC FOR THE SYSTEM 3'S, MOST PROBABLY COULD NOT APPLY TO MORE SOPHISTICATED SYSTEMS, AND HE BELIEVES THIS WOULD HAVE TO BE MADE CLEAR TO THE CHINESE.

5. GOSSELIN AND WILLIAMSON ALSO HAD PRELIMINARY DISCUSSIONS WITH MACHIMPEX ON THE IBM MODEL 145 (AS INDICATED REF A), BUT THESE WERE NOT AN IMPORTANT ASPECT OF LAST WEEK'S TALKS

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WHICH FOCUSSED ALMOST COMPLETELY ON THE SYSTEM 3'S.  
JENKINS

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## Message Attributes

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